



House of Representatives

General Assembly

File No. 678

February Session, 2008

Substitute House Bill No. 5841

House of Representatives, April 17, 2008

The Committee on Appropriations reported through REP. MERRILL of the 54th Dist., Chairperson of the Committee on the part of the House, that the substitute bill ought to pass.

AN ACT INCREASING THE HEALTH INSURANCE SUBSIDY TO RETIRED TEACHERS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 10-183t of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2008*):

4 (c) On and after July 1, 2000, the board shall pay a subsidy equal to
5 the subsidy paid in the fiscal year ending June 30, 2000, to the board of
6 education or to the state, if applicable, on behalf of any member who is
7 receiving retirement benefits or a disability allowance from the system,
8 [or] the spouse, or the surviving spouse of such member, or a disabled
9 dependent of such member if there is no spouse or surviving spouse,
10 who is participating in a health insurance plan maintained by a board
11 of education or by the state, if applicable. Such payment shall not
12 exceed the actual cost of such insurance. With respect to any person
13 participating in any such plan pursuant to subsection (b) of this
14 section, the state shall appropriate to the board one-third of the cost of

15 the subsidy. No payment to a board of education pursuant to this
16 subsection may be used to reduce the amount of any premium
17 payment on behalf of any such member, spouse or surviving spouse,
18 or disabled dependent, made by such board pursuant to any
19 agreement in effect on July 1, 1990. On and after July 1, 2008, the board
20 shall pay a subsidy of two hundred twenty dollars per month on
21 behalf of the member, spouse or the surviving spouse of such member
22 who: (1) Has attained the normal retirement age to participate in
23 Medicare, (2) is not eligible for Part A of Medicare without cost, and (3)
24 contributes at least two hundred twenty dollars per month towards his
25 or her medical and prescription drug plan provided by the board of
26 education.

This act shall take effect as follows and shall amend the following sections:

Section 1	July 1, 2008	10-183t(c)
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APP *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note**State Impact:**

Agency Affected	Fund-Effect	FY 09 \$	FY 10 \$
Teachers' Retirement Bd.	GF - Cost	132,000	132,000

Note: GF=General Fund

Municipal Impact: None**Explanation**

The bill increases the monthly health insurance subsidy of certain retired teachers and their spouses from \$110 to \$220. It is estimated that there are no more than 300 retirees that qualify for the additional subsidy provided by the bill. The state appropriates money to fund one-third of the subsidy.

Funding in the Teachers' Retirement Board's (TRB) municipal subsidy account for FY 09 is sufficient to fund the estimated state share (\$132,000) of the increased subsidy. The balance of the cost, \$264,000, will be paid by the Teacher's Health Fund which is funded by active teacher contributions (1.25% of salary, annually) and is also sufficient to fund the increased cost.

OFA Bill Analysis**sHB 5841*****AN ACT INCREASING THE HEALTH INSURANCE SUBSIDY TO RETIRED TEACHERS.*****SUMMARY:**

The bill increases the monthly health insurance subsidy under the Teachers' Retirement System (TRS) for certain retired teachers from \$110 to \$220 per person. In order to qualify for the increased subsidy, the retiree/spouse must meet the three criteria established by the bill: (1) has attained normal retirement age to participate in Medicare (currently, age 65), (2) is not eligible for Part A of Medicare without cost, and (3) contributes at least \$220 per month towards his or her medical and prescription drug plan provided by the board of education.

The determining factor in the way a retired teacher gets health coverage is whether he/she participates in Medicare. Those who do may choose a Medicare supplement plan provided by TRS. Those who do not must be offered coverage by their last employing board of education.

Federal law requires all state and municipal employees hired on or after April 1, 1986 to contribute to and participate in Medicare. Connecticut teachers hired before that date were excluded from both Medicare and Social Security under a 1951 state law. (TRS members are still not covered by Social Security for their Connecticut teaching service.) As a result of the federal requirement, teachers who retire now are likely to be covered by Medicare and thus be eligible for the TRS Medicare supplement plan.

The group that may be eligible for the additional subsidy provided by the bill is relatively limited. It consists of those who are not eligible for Medicare because they were hired before April 1, 1986 and must remain under local school board plans.

The law requires local boards to offer these retirees the same plan they offer their active teachers. The average age at retirement is currently 60, therefore, Medicare eligible retirees spend approximately five years in local school board plans before participating in Medicare and transitioning to the TRS plan.

EFFECTIVE DATE: July 1, 2008

BACKGROUND

Teachers' Retirement System Health Insurance

Health insurance for retired teachers is provided either by the Teachers' Retirement System (TRS) or by the retirees' last employing school board. Those who participate in Medicare Part A and B may participate in a Medicare supplement plan provided by the TRS. The retiree/spouse enrolled in the TRS plan pays one-third of the monthly premium costs of the basic plan (currently, \$90 per person) and the full cost of any additional benefits (dental; or dental, vision and hearing riders).

Those who do not participate in Medicare must be offered coverage by their last employing school board. Boards must offer retirees the same plan they offer their active teachers. The Teachers' Retirement Board (TRB) sends a subsidy to local boards to cover part of the cost of premiums for retirees participating in local boards plans. This subsidy has remained at \$110 per individual per month since 1996 and has been frozen legislatively since 2000 at this level. Funding of health insurance benefits for retirees comes from three sources (1) active teachers contribute 1.25% of their annual salary to the Health

Insurance Premium Account, (2) retired teachers pay monthly TRS plan premiums, (3) an annual General Fund appropriation from the state.

Subsidized Local School Board Coverage

Retired teachers not participating in Medicare Part A (Hospital Insurance) and Medicare Part B (Medical Insurance), may elect to continue their health insurance with their last employing school board. The former local school board is not obligated to pay for the cost of the retirees' health insurance unless required to do so by a collective bargaining agreement or other arrangement.

The local school board must charge the retiree the same premium that is assessed by the insurance company for the type of coverage. For self-insured plans, the local school board must charge the retiree the budgetary premium rate for the form of coverage received. The cost of health insurance varies from board to board depending on the coverage offered.

The TRB issues a subsidy payment on behalf of the retiree to the former employer to offset the cost of health insurance coverage. The current subsidy is up to \$110 monthly for individual coverage and up to \$220 monthly for member and spouse. The subsidy must first be used toward the cost of the retirees' health insurance coverage. If any balance remains from the subsidy payment, it may be used by the school board to offset its cost.

Cost Sharing Provisions Local School Board Plan

The Health Insurance Premium account and the state General Fund share the cost of paying the \$110 per individual, monthly health insurance subsidy to the local school board. The General Fund pays one-third of that sum (\$36.67) and the Health Insurance Premium account pays the remaining two-thirds (\$73.33). If there is not enough money in the Health Insurance Premium account to pay its full share, the law requires the General Assembly to appropriate enough money

to make up the shortfall (CGS Sec. 10-183t(d)).

TRB Sponsored Medicare Supplemental Plans

Retired teachers and spouses who are participating in Medicare A (Hospital Insurance) and Medicare Part B (Medical Insurance) may enroll in a Medicare Supplement plan offered by the TRS. The retiree/spouse who enrolls in the TRS plan pays their share of the monthly premium cost of the basic plan and the full cost for any additional benefits (dental; dental, vision and hearing riders).

The basic plan includes hospital, medical, major medical and prescription drug costs. The current member costs are shown below.

Effective January 1, 2008:

Coverage Type	Monthly Per Person
Medicare Supplement w/ Rx (Basic Plan)	\$90.00
Medicare Supplement w/ Rx & Dental	\$132.00
Medicare Supplement w/ Rx, Dental, Vision and Hearing	\$137.00

Cost Sharing Provisions TRB Medicare Supplement Plan

The total cost of the basic plan is currently \$270 monthly per person. The cost is divided three ways. One-third is paid by the retiree/spouse, one-third is paid from the Health Insurance Premium account and one-third is funded by a General Fund appropriation.

COMMITTEE ACTION

Appropriations Committee

Joint Favorable Substitute

Yea 54 Nay 0 (3/28/2008)